



County of Los Angeles CHIEF EXECUTIVE OFFICE

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June 1, 2012

To: Supervisor Zev Yaroslavsky, Chairman
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From: William T Fujioka
Chief Executive Officer

STATE BUDGET – PROPOSED 2011 REALIGNMENT FUNDING STRUCTURE

The Governor's May Revision includes budget trailer bill language that establishes a permanent funding and account structure for the health and human services and public safety programs shifted from the State to counties under the 2011 Public Safety Realignment. According to the Administration, the objective of the proposed funding structure is to provide counties with a stable and consistent funding source for all programs realigned to counties in 2011 and to provide counties with flexibility to address the highest priorities and have the ability to draw down the maximum amount of Federal funding available.

The proposed funding structure continues to fund the 2011 Public Safety Realignment with a percentage (1.0625 percent) of the State Sales and Use Tax revenue and a portion of the Vehicle License Fee (VLF) revenue. The Administration estimates that the Sales Tax and VLF revenue available in FY 2012-13 will be \$5.4 billion and \$455.1 million respectively. Attached is a chart which identifies the estimated statewide funding allocations by program through FY 2014-15.

General Principles

The realignment trailer bill establishes general principles as it relates to base funding, account structure, growth distribution, county protections, and ability to transfer funding between accounts.

"To Enrich Lives Through Effective And Caring Service"

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Base Funding

The Administration proposes that the base funding for each program included in the 2011 Realignment will become a rolling base: the previous year's allocation level plus growth will equal the new base funding for the following year. The year in which the base is defined varies by program.

The FY 2011-12 funding level establishes the base for many of the Health and Human Services programs. The base for the Mental Health and Foster Care and Child Welfare Services accounts will be calculated somewhat differently. The base for the Mental Health accounts will include the Early and Periodic Screening, Diagnosis, and Treatment program and the Mental Health Managed Care program which were realigned to counties beginning in FY 2012-13. The base funding for Foster Care and Child Welfare Services includes increased funding to implement AB 12 (Chapter 559, Statutes of 2010) which expanded foster care benefits eligibility to youth up to age 21, which will be phased-in over three years beginning in FY 2012-13.

For the programs shifted to counties under AB 109 (Chapter 15, Statutes of 2011), FY 2015-16 will define the base funding as the programs will only reach full implementation in FY 2014-15. Therefore, base funding levels for the law enforcement, juvenile justice and other AB 109 programs will also differ. The FY 2011-12 funding level defines the base for trial court security, the juvenile justice programs and the public safety programs previously funded by VLF revenue.

Account Structure and Growth

The proposed trailer bill directs the State Controller and counties to establish various accounts and subaccounts into which funding and growth will be distributed for each of the realigned programs. The proposed structure alters the temporary account structure that was established in FY 2011-12 to allocate the first year of 2011 Realignment funding. Accounts created in FY 2011-12 will be abolished and funds will be transferred on September 30, 2012 to the new accounts created by the permanent structure.

The proposed structure includes the creation of subaccounts and special accounts among which growth funding will be distributed beginning in FY 2012-13. Growth will be allocated to provide base funding if needed and then distributed on the proportional share of the overall funding allocated to health and human services and law enforcement. Specific percentages for the distribution of growth to the program subaccounts are defined in the trailer bill.

County Protections and Requirements

The proposed trailer bill specifies protections for counties from increased costs and unfunded expansions in program responsibilities. These protections, similar to those included in the Governor's proposed November 2012 Ballot Initiative are intended to shield counties from the realignment of any additional programs, and future increased and unfunded costs. The protections also prohibit the State from enacting legislation, executive orders or regulations that effectively increase the cost to counties to operate the realigned programs, unless commensurate funding is provided.

Additional language is included in the trailer bill to require that if a board of supervisors adopts significant cuts to optional or discretionary Behavioral Health or Adult Protective Services programs under the 2011 Realignment they must do so in a noticed public meeting.

Transferability

The proposed account structure provides for the transfer of funds among the two support services subaccounts to provide counties with flexibility to meet priorities and draw down Federal funds. Any transfer between subaccounts is for one fiscal year only and may not exceed 10 percent of the amount in the subaccount with the lowest balance. A board of supervisors must document the decision to transfer funding between the subaccounts at a regularly scheduled public meeting. Funding cannot be transferred between the law enforcement and the health and human services accounts.

2011 Realignment Accounts and FY 2012-13 Allocation Levels

Law Enforcement Services Account

The Law Enforcement Services Account includes all the public safety programs shifted to counties under the 2011 Realignment and is comprised of the following subaccounts and corresponding growth accounts: Community Corrections, which includes funding for AB 109 programs; District Attorney/Public Defender (DA/PD) to include funding for revocation activities under AB 109; Juvenile Justice to include the Youthful Offender Block Grant and the Juvenile Justice Reentry Grant; Trial Court Security; Enhancing Law Enforcement Activities to include the programs funded by VLF; and Public Safety Innovation.

- **Community Corrections and DA/PD.** The projected FY 2012-13 statewide allocation to operate the public safety programs shifted to counties under AB 109 including the supervision and incarceration of certain offenders is \$857.5 million. This office participated in a committee of CAO/CEOs representing urban,

suburban and rural counties tasked with developing the statewide allocation formula for the AB 109 funding. The allocation formula developed covers the next two fiscal years (FY 2012-13 and FY 2013-14) and allocates 31.77 percent to Los Angeles County. **In FY 2012-13, Los Angeles will receive approximately \$267.7 million for the supervision and incarceration of the AB 109 populations and approximately \$4.6 million for the District Attorney and Public Defender to cover revocation activities under AB 109.**

- **Law Enforcement Programs.** In FY 2012-13, \$489.9 million in VLF revenue will be allocated to the Enhancing Law Enforcement Activities Subaccount to cover the public safety programs funded by VLF revenue shifted under 2011 Realignment including: booking fees; Citizens' Option for Public Safety; Juvenile Camp and Halls; Juvenile Probation; Juvenile Justice Crime Prevention Act; Small Rural Sheriffs; and CalEMA programs. Funding will continue to be allocated to counties as in previous fiscal years pursuant to established statutory formulas.
- **Trial Court Security.** The FY 2012-13 statewide allocation to the Trial Court Security Subaccount is estimated to be \$496.4 million with 29.8 percent, or approximately \$147.9 million, allocated to Los Angeles County. A separate trailer bill that includes proposed changes to the underlying court security statutory structure, as a result of the realignment of trial court security to counties, has also been released and will be reported on in a separate update.
- **Juvenile Justice.** In FY 2012-13, \$98.8 million statewide will be allocated to the Juvenile Justice Subaccount which includes the existing Youthful Offender Block Grant and the Juvenile Justice Reentry Grant. Both grants will continue to be distributed to counties based on the monthly report prepared by the Department of Finance and consistent with established statutory formulas for each program.
- **Public Safety Innovation.** Beginning in FY 2015-16, counties are required to deposit 10 percent of funds received in the growth subaccounts for trial court security, community corrections, DA/PD, and Juvenile Justice into an Innovation Subaccount. The funding in this account can then be reallocated to any of those programs providing counties with some flexibility to transfer funding among the public safety subaccounts.

Support Services Account

The Support Services Account includes all the health and human services programs shifted to counties under 2011 Realignment and is comprised of two subaccounts and corresponding growth accounts: Protective Services and Behavioral Health Services.

Protective Services

The Protective Services Subaccount includes the following programs: Child Welfare Services, Foster Care, Adoption, Child Abuse Prevention, and Adult Protective Services.

- **Child Welfare Services, Foster Care, Adoption, and Child Abuse Prevention Programs.** The following amounts are allocated statewide for Foster Care, Child Welfare Services (CWS), Adoption, and Child Abuse Prevention Programs: \$1.567 billion in FY 2011-12 and \$1.585 billion in FY 2012-13. The May Revision also reflects a revised projection for the Foster Care and Child Welfare Services base allocation that provides a \$5.1 million increase for FY 2011-12, from \$1.562 billion in the January Budget Proposal to \$1.567 billion in the May Revision. It also provides a \$23.3 million increase for FY 2012-13, from \$1.562 billion in the January Budget Proposal to \$1.585 billion in the May Revision. **The Department of Children and Family Services (DCFS) indicates that the projected impact for DCFS is a \$1.7 million funding increase for FY 2011-12 and \$7.76 million funding increase for FY 2012-13.**

Under the proposed trailer bill, program growth would be distributed on a proportional basis, first between accounts and then by subaccounts. Within each Subaccount, federally required programs should continue to receive priority for funding as warranted by caseload and costs. The trailer bill also would establish that CWS receives 40 percent of the growth in the Support Services Account until \$200.0 million is reached. **The May Revision provides \$200.0 million in additional funding for CWS. DCFS indicates that its potential share of the \$200.0 million of additional CWS funding is \$66.5 million.**

In addition, the May Revision provides a \$53.9 million statewide increase to the Foster Care and Child Welfare Services allocation for FY 2012-13 through FY 2014-15 to reflect the implementation of AB 12 (Chapter 559, Statutes of 2010), which expanded foster care benefits eligibility up to age 21. These funds are included in the trailer bill and will be phased in over a three-year period beginning with \$18.5 million statewide in FY 2012-13. **DCFS estimates its share of the AB 12 Realignment funding for FY 2012-13 is \$6.1 million. However, DCFS estimates a shortfall for AB 12 program costs is \$24.1 million.**

Overall, DCFS indicates that the biggest issue in the trailer bill is whether the funding amounts will be sufficient to cover its current program expenditures and if the revenue streams are secure into the future.

- **Adult Protective Services.** In FY 2011-12 through FY 2014-15, \$55.0 million statewide is allocated for the Adult Protective Services (APS) program of which the County will receive approximately \$14.3 million annually. Under the proposed trailer bill language, the APS program, which provides services to individuals aged 65 or older and dependent adults ages 18-65 who are functionally impaired and victims of abuse or neglect, would be part of the Protective Services Subaccount.

The Department of Community and Senior Services (CSS) indicates that APS funding may become vulnerable as one of seven different programs in the Protective Services Subaccount. APS is the only program for adults in the Subaccount and is a State-mandated program with no Federal mandates or requirements that must be met unlike some of the children's services programs. This is likely to put APS at a disadvantage as there may be pressures for additional funding in order to meet Federal mandates or requirements. However, CSS also indicates that the provision which limits the amount of funds reallocated between programs under the Supportive Services Subaccount to 10 percent in any one fiscal year may mitigate some of the potential risk of decreased funding for APS.

Behavioral Health Services

The Behavioral Health Services Subaccount includes the following programs: Existing Community Mental Health Program; Early Periodic Screening, Diagnosis and Treatment (EPSDT); Mental Health Managed Care; Women and Children's Residential Treatment Services; Drug Court; Nondrug Medi-Cal Substance Abuse Treatment; and Drug Medi-Cal.

- **Mental Health.** Under the proposed account structure, the Mental Health Managed Care, the Early and Periodic Screening Diagnosis and Treatment Program, and 1991 Realignment Community Mental Health Programs would be placed in the Behavioral Services Subaccount. The subaccount does not contain county-specific allocations at this time. The Department of Mental Health (DMH) indicates that the trailer bill includes the mechanism to develop the funding base which would ultimately become the rolling base in which the prior year allocation, plus growth, would become the new base allocation for the following year. DMH continues to work with the California Mental Health Directors Association and the California State Association of Counties who are negotiating with the Administration to establish the FY 2012-13 base funding for the realigned mental health programs.

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- **Substance Abuse Treatment Programs.** The Department of Public Health indicates that the allocation methodology in the trailer bill is consistent with that established in FY 2011-12 and will provide for growth in the County's drug and alcohol programs.

This office continues to work with affected departments to analyze the proposed trailer bill language and assess potential County impact across all the realigned programs, and we will report back to your Board with updated information as it becomes available.

We will continue to keep you advised.

WTF:RA
MR:VE:KA:OR:lm

Attachment

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

2011 Public Safety Realignment Funding
(Dollars in Millions)

<u>Program</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction for Lower-level Offenders & Parole Violators (AB 109)				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	989.9	-	-	-
Realign Adult Parole (AB 109)				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	-	-	-
Mental Health Services				
EPSDT	-	584.2	584.2	584.2
Mental Health Managed Care	-	196.7	196.7	196.7
Existing Community Mental Health Programs	1,083.6	1,120.6	1,120.6	1,120.6
Substance Abuse Treatment	183.6	183.6	183.6	183.6
Foster Care and Child Welfare Services (including AB 12 implementation)	1,567.2	1,585.4	1,605.8	1,621.1
Adult Protective Services	55.0	55.0	55.0	55.0
Existing Juvenile Justice Realignment	97.1	98.8	98.8	98.8
Program Cost Growth	-	221.7	456.6	1,014.7
Total	\$5,592.3	\$5,889.8	\$6,303.6	\$6,810.9
1.0625% Sales Tax	5,152.9	5,434.7	5,840.3	6,339.8
Motor Vehicle License Fee Transfer	439.4	455.1	463.3	471.1
Total Revenues	\$5,592.3	\$5,889.8	\$6,303.6	\$6,810.9

(Source: Governor's May Revision 2012-13)